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EXPORT MARKETING OF RADIOS BY
SELECTED MANUFACTURERS
IN HONG KONG

by

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PREFACE

The 1960's, in general, marked the birth of the electronics manufacturing industry in Hong Kong. The growth of this industry has been phenomenal, compared with other industries in the Colony. As the second largest industry, electronics accounted for 13 percent of Hong Kong's total domestic exports in 1974. Obviously, it has been playing a major role in the export performance and economic growth of Hong Kong.

Radios have continued to be by far the largest export item among all the electronic products. In fact, Hong Kong was the world's second largest exporter of transistor radios at the time of the study. However, in view of the growth of the electronics industry as a whole, the relative position of the radio industry has shown a decline. Export sales in 1974 showed that, for the first time, electronic components and parts overtook transistor radios and became the main revenue-earner for the electronics industry.

To date, there has been no in-depth study concerning the radio industry. The objective of this study is to find out the existing practices of local radio manufacturers in marketing their products abroad. The analysis is based on information provided by selected local manufacturers

in in-depth interviews.

The contents of this thesis are divided into four parts. Part One (Chapter 1,2) serves as an introduction to the report and a survey of the local industry. Part Two (Chapter 3) covers the description of the export marketing activities of the selected radio manufacturers. Part Three (Chapter 4) pinpoints the underlying problems facing the industry by analysing the information obtained from the research. Special attention has been devoted to Part Four (Chapter 5,6 and 7), which constitutes recommendations based upon the thesis research with suggested export marketing strategies for the local radio manufacturing firms.

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1.0 INTRODUCTION

1.1 Objectives

No other industry in Hong Kong reflects the accelerated growth of domestic exports as the electronics industry. It has developed from a mere two factories in 1959 to as many as 382 factories producing sophisticated electronic products in 1974.

Among the electronic products exported from Hong Kong, transistor radios have enjoyed the leading role. There has been a steady growth in the domestic exports of this product. During the five-year period of 1970-74, the average annual growth rate of our export sales was 23.12 percent, from HK\$549 million in 1970 to HK\$1,313 million in 1974.

Hong Kong in the meantime is the world's second largest exporter of transistor radios. However, export sales in 1974 showed that, for the first time, electronic components and parts overtook transistor radios and became the main revenue-earner for the electronics industry.

What will be the future? Can we expect exports of radios to grow at an increasing rate or to slow down? Actually the answer depends on many factors, controllable as well as uncontrollable. We can look at many aspects

as uncontrollable. We can look at many aspects including production, factory management, finance, marketing and personnel management. However, because of the limitation of time and resources, this study concentrates on the marketing aspect.

The purpose of this study is to investigate the existing export marketing activities of radio manufacturers in Hong Kong. It is hoped that recommendations made in the light of the research findings may help manufacturers to increase their efficiency in export marketing. To state in more specific terms, the objectives are the following:

- To review briefly the development of the Hong Kong radio industry;
- To study the existing radio export marketing activities;
- To find out some critical problems facing the radio manufacturers;
- To figure out the possible future trend; and
- To offer suggestions to local radio manufacturers, which hopefully would alleviate some of their problems.

1.2 Scope

Definition of radio

According to the Standard International Trade Classification, radio is classified under Telecommunications Apparatus. In the broad sense, radio products include both finished goods and parts and components. The present study was confined only to finished products referring to radio broadcast receivers, whether or not combined with gramophones.

Radio parts and components were excluded from the study for two reasons. First, the domestic exports of transistor radios has been several times more than the exports of radio parts and components. Second, these two categories of products were usually produced by different manufacturers.

The sampling list

An initial list of 399 registered transistor radio manufacturers were obtained from the Commerce and Industry Department of the Hong Kong Government. Member lists of various organisations were also reviewed, including the Hong Kong Trade Development Council, the Hong Kong General Chamber of Commerce, the Indian Chamber of Commerce and the Hong Kong Federation of Industries.

The selection basis

The selected companies could be divided into two groups: the large and medium-sized radio manufacturers. These were the firms whose export activities were of primary interest in this study.

For compiling the initial list, information about the size of capital, number of workers, sales amount or any other indication as to the size of individual manufacturers was not available. To come up with the selected sample, several knowledgeable people in the industry were interviewed. As a result, sixteen of the companies were selected, of which nine were considered by the writer as large manufacturers and the remaining seven medium-sized.

1.3 Methodology

Method of data collection

The data in this study were secured primarily through in-depth personal interviews conducted by the writer herself to permit greater flexibility and at the same time to obtain more detailed information from the respondents.

A set of questions was designed as a guideline for the writer's own reference. It was not shown to the respondents. Actually, after a few interviews, most of the questions were memorized already. the subsequent

interviews were thus conducted in a more fluent and smoother way.

Interviews with radio manufacturers

Over a two-month period, sixteen letters were sent to the selected manufacturers. Each letter gave a brief description of the research study and requested an appointment for an interview. A total of twelve invitations were obtained. Most of the visits were arranged through telephone calls.

All the interviews were held in the offices or conference rooms of the factories. Most of the executives interviewed were managing directors or marketing managers. Questions relating to general background of the firm, products, markets and export channels were asked first, and followed by more sensitive questions about pricing, finance, promotion activities and plans for expansion.

Most respondents were very friendly and cooperative and seemed to understand the questions. However, some executives considered part of their export information to be confidential, which created some difficulties in obtaining the desired information.

Each interview lasted for about one hour. In several instances, while the respondents were particularly earnest to help, the interviews lasted for two hours or more.

Recording information during the interviews

It was felt that using written questionnaires or tape recorders to record information during the interviews might reduce the respondents' willingness to express themselves. Hence, the writer tried as much as possible to remember the information obtained so that complete notes could be written shortly after the interviews. Sometimes, very brief notes were taken down during the interviews to serve as an aid in preparing the complete notes.

Interviews with persons other than radio manufacturers

The following interviews were conducted to obtain a clearer picture of the environment of the radio industry. Moreover, it was hoped that the additional information might help to better understand the responses from the radio manufacturers.

- Executives of two radio export firms;
- Executives of Hong Kong buying offices of two overseas chainstores, one U.S.-based and the other West Germany- based;
- A bank officer from one of the local banks;
- An officer in the Commerce and Industry Department of the Hong Kong Government; and

- Officers in trade organisations, including:
 - . The Hong Kong Trade Development Council
 - . The Hong Kong Federation of Industries
 - . The Hong Kong Productivity Centre
 - . The Chinese Manufacturers' Association

2.0 GENERAL DESCRIPTION OF THE HONG KONG RADIO INDUSTRY

This chapter serves the purpose of describing briefly the development and status of the Hong Kong radio manufacturing industry. The relevant information was obtained mainly from secondary data published by the Hong Kong Government as well as other organisations.

2.1 Factories and Employment

The number of registered factories and size of employment are two basic measures that can indicate the development of an industry. Radio has been the oldest member of the consumer electronics family. In 1959 there were only two factories assembling transistor radios with wholly imported parts. By the end of 1974, there were already 382 factories producing various kinds of electronic products and component parts.

Unfortunately, the figures regarding the number of establishments and employees published by the Census and Statistics Department of the Hong Kong Government referred only to the electronics industry as a whole. There was no separate figure for transistor radios. The lack of relevant statistics thus imposed a limitation, and statistics referring to the electronics industry was

presented as a reference.

The rate of expansion in terms of establishments and employment of the electronics industry is illustrated by Table 2.1. Table 2.2 informs readers of the structure of the industry.

2.2 Products

The radio industry is an industry of innovation and constant changes. New concepts and devices continually create new products and improve older ones. Since there is often a great number of innovative models and new designs introduced into the market, no attempt has been made here to classify radios according to styles and designs.

The most convenient classification of the existing products of the Hong Kong radio manufacturing industry is according to the product size. Table 2.3 lists the most common types of radios produced by Hong Kong manufacturers at the time of the study.

2.3 Materials

The most basic electronic components required to assemble a simple transistor radio include antennae coils, resistors, capacitors, transistors, loudspeakers and other accessories. However, the actual requirement depends

TABLE 2.1

GROWTH OF THE ELECTRONICS INDUSTRY IN TERMS OF
NUMBER OF ESTABLISHMENT AND NUMBER
OF EMPLOYEES (1961 - 74)

Year	Number of Establishments	Number of Employees
1961	3	108
1962	14	881
1963	18	1,218
1964	29	2,941
1965	29	4,347
1966	39	10,873
1967	63	19,748
1968	100	23,133
1969	137	37,235
1970 ^a	160	36,532
1971 ^a	222	35,886
1972 ^a	280	41,056
1973 ^a	315	48,810
1974 ^a	382	54,883

Source : Census and Statistics Department,
Hong Kong Government

^aFigures refer to March of the specified year.

TABLE 2.2
STRUCTURE OF THE ELECTRONICS INDUSTRY
(DECEMBER 1973)

Employment size (No. of persons)	Number of Establishments	% of Total
1 - 9	46	11.8
10 - 19	58	14.9
20 - 49	85	21.8
50 - 99	63	16.1
100 - 199	51	13.1
200 - 499	46	11.8
500 - 999	16	4.1
1000 - 1999	7	1.8
2000 - 2999	2	0.5
Not in Operation	16	4.1
Total	390	100.0

Source : Census and Statistics Department, Hong Kong
Government

TABLE 2.3

THE MOST COMMON TYPES OF RADIOS MANUFACTURED BY
SELECTED MANUFACTURERS IN HONG KONG (1975)

Size of Product	<u>Modulation</u>			<u>Current</u>			<u>Combined with</u>			<u>Music Center</u>
	<u>AM</u>	<u>AM/FM</u>	<u>Multi-band</u>	<u>DC</u>	<u>AC</u>	<u>DC/AC</u>	<u>Cassette</u>	<u>Digital Clock</u>	<u>Gramophone</u>	
Pocket Size	X			X						
Portable Size		X				X	X	X		
Table Type		X	X		X	X	X		X	X

Notes:-

AM : Amplitude modulation

FM : Frequency modulation

Multiband : The most common type being 5 wave bands,
i.e. AM/FM/PB(Police band)/WB(Weather band)/AIR

DC : Direct current

AC : Alternating current

Music Center : A combination of radio, cassette deck, amplifier,
loudspeakers and sometimes also turntable.

heavily on the model design. For example, materials required to produce a digital clock radio would be different from a cassette radio.

The component parts for transistor radios are available in Hong Kong. Import figures, however, showed that there has been an increasing amount of imports of parts for transistor radios from other countries. The largest supplier has been Japan, followed by Taiwan and the United States. Table 2.4 illustrates the import figures by major sources from 1970 to 1974.

2.4 Production

Radio manufacturing in Hong Kong is still labour-intensive.¹ The usual production method is to assemble the components into finished products of various kinds of radios.

An in-depth study of the production process of radios was beyond the time and resources allowed for this study. Nevertheless, one of the interviewed manufacturers was quite willing to provide detailed information concerning their manufacturing process. This company was a large Chinese manufacturing firm producing mainly digital-

¹Based on the information obtained from the thesis research.

TABLE 2.4
IMPORT OF PARTS FOR TRANSISTOR RADIOS BY MAJOR
SOURCES (1970 - June 1974)

Sources	Value (H.K. '000)				Jan-June 1974	% of Total
	1970	1971	1972	1973		
Japan	104,815	117,626	156,464	159,015	95,676	51.7%
Taiwan	27,812	49,819	73,693	94,259	46,164	30.6
U.S.A.	11,162	10,416	25,297	21,105	7,004	6.9
Total	153,356	195,916	283,416	307,622	165,982	100.0

Source : Census and Statistics Department, Hong Kong Government

clock radios at the time of the study. Without attempting to study all the other selected manufacturers, the production process of this particular company was presented as an example.

The hierarchy of the production division of that company was as follows:

- Production Division Manager;
- Production Unit Manager;
- Foreman of various assembly lines;
- Line-leader of each assembly line, and
- Line workers.

In the actual phase of production, every line worker would be assigned a pre-planned and pre-tested position. These line workers only performed the necessary steps of operation as specified by the line-leaders. Raw materials and necessary accessories would be continuously supplied to each line by the store. In each production line, there were several checkpoints, which were supervised by staffs of the Quality Control Division. Whenever there were inappropriate products found (including those in-process unfinished products), they would be immediately sent back to the line to be reprocessed.

Finished products from each production line would first be examined by the Quality Control Division, and only "good" products would be sent to the Quality Acceptance Division for customer inspection. Rejected finished

products would be sent back to the production lines to be reprocessed or reassembled, and were called as "reworks". If the finished products were inspected and accepted by a customer's representative, then they would be stored in the Finished Goods Store until shipment to their destinations.

Figure 2.1 illustrates the flow chart of radio production in that company.

2.5 Export Markets

The U.S.A. has been our biggest market. In 1974, 47 percent of Hong Kong's total radio export, amounting H.K.\$626 million, was shipped to the United States.

Other major markets included West Germany, United Kingdom, Canada and Australia. There has been a trend evolving since 1972 for Hong Kong radios to penetrate the European markets, and the records in 1973 confirmed this trend with distinctive achievements. After the European markets, inroads were being made into the South American, the Middle East, the African as well as the Southeast Asian countries. Again, the 1974 record showed some progress. The export sales of transistor radios by markets is shown in Table 2.5 and Figure 2.2.

FIGURE 2.1

FLOW CHART OF RADIO PRODUCTION

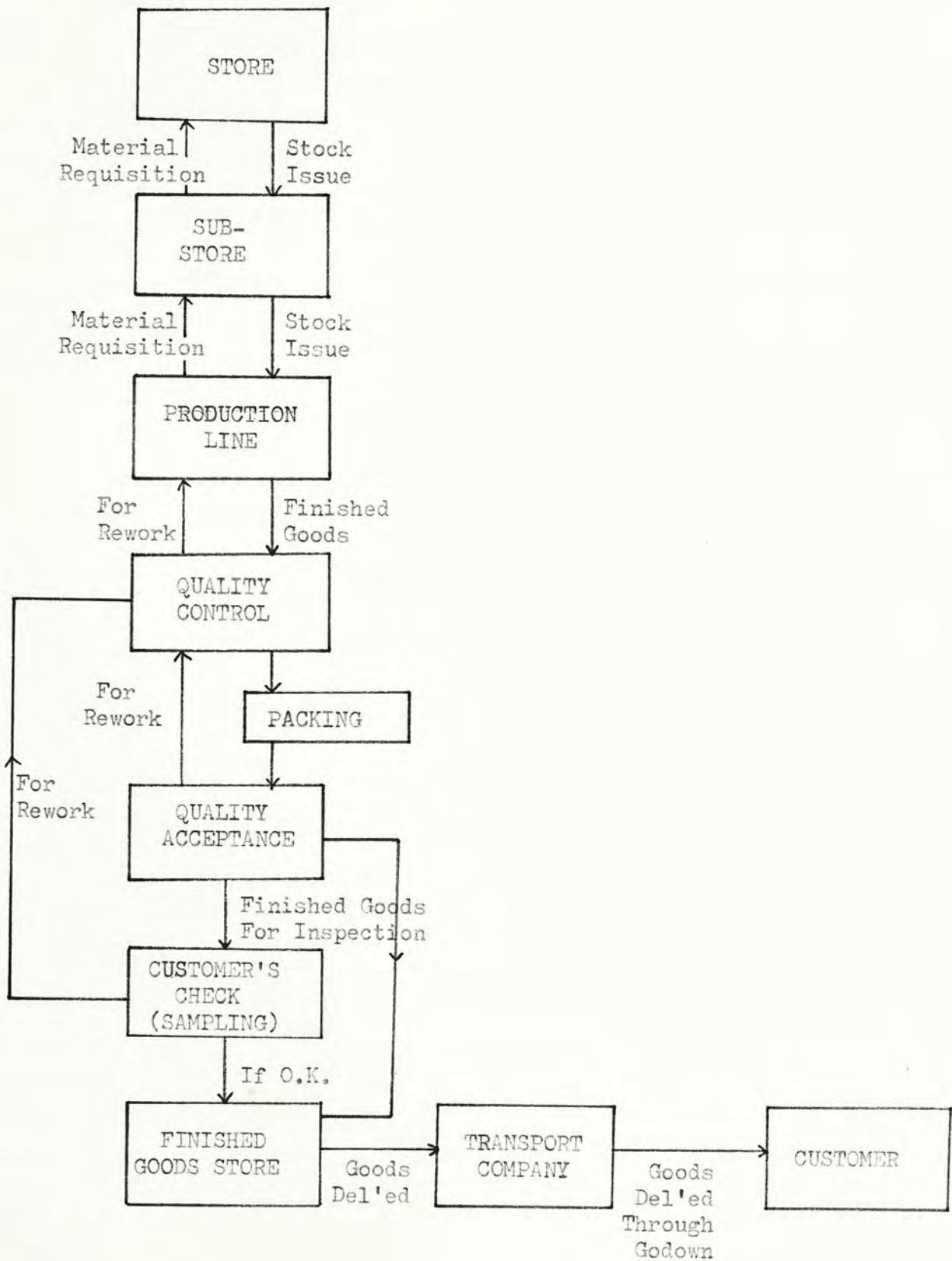


TABLE 2.5

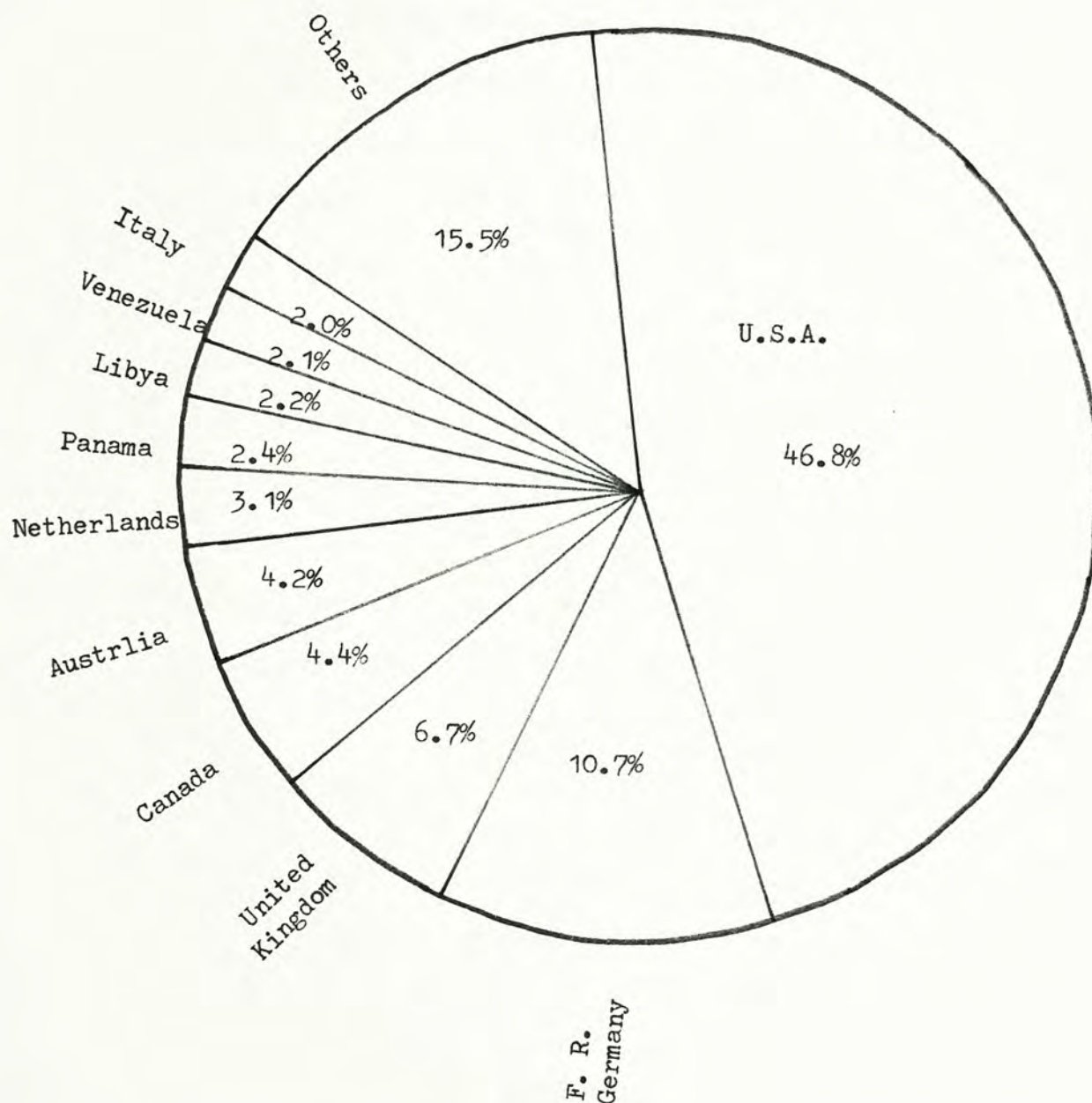
HONG KONG EXPORT OF TRANSISTOR RADIOS (1973-74)
(S.I.T.C. 724205, 724206)

Markets/Ranking (Based on 1974 cumulative figures)	(Value : H.K.\$ '000)				
	1973		1974		% Change 74/73
	Value	%	Value	%	
1. U.S.A.	601,461	51.9	626,020	46.8	+ 4.1
2. F.R. Germany	117,590	10.1	143,047	10.7	+ 21.6
3. U.K.	143,743	12.4	89,199	6.7	- 37.9
4. Canada	49,545	4.3	58,211	4.4	+ 17.5
5. Australia	3,889	0.3	55,826	4.2	over +1,000
6. Netherlands	32,856	2.8	40,837	3.1	+ 24.3
7. Panama	16,608	1.4	32,242	2.4	+ 94.1
8. Libya	13,182	1.1	29,297	2.2	+122.3
9. Venezuela	20,777	1.8	28,426	2.1	+ 36.8
10. Italy	31,366	2.7	27,050	2.0	- 13.8
11. Switzerland	13,413	1.2	19,576	1.5	+ 45.9
12. Belgium	13,199	1.1	16,334	1.2	+ 23.8
13. Austria	9,025	0.8	13,762	1.0	+ 83.5
14. Sweden	7,218	0.6	13,246	1.0	+ 83.5
15. Kuwait	7,499	0.6	11,980	0.9	+ 59.8
Others	77,731	6.9	132,791	9.8	+ 70.8
Total	1,159,102	100.0	1,337,844	100.0	+ 15.4

Source : Census and Statistics Department, Hong Kong Government

FIGURE 2.2

HONG KONG EXPORTS OF TRANSISTOR RADIOS (1974)



Total Value = H.K.\$1,337,844,000

Source : Census and Statistics Department, Hong Kong Government

2.6 Position in the World Market

Obviously the Hong Kong radio industry has been developing rapidly. Was there any comparative advantages enjoyed by the Hong Kong manufacturers that facilitated the significant growth of the industry? Or was there any comparative disadvantages that have retarded the progress of the industry? What has been the status of the Hong Kong radio manufacturers among their overseas competitors?

These were some of the questions that were discussed with the respondents during the interviews. Different answers and opinions were obtained. Here, only the most frequently given answers are described to provide a general picture of Hong Kong's position in the world market. There is more in-depth discussion in Chapter 3.

Comparative advantages

These were the advantages of producing radios in Hong Kong as stated by the selected manufacturers:

- Vast amount of foreign investments injected into the industry together with a high level of technology and management know-how;
- High quality workers who were efficient, hard-working and able to learn new skills quickly;

- Flexibility and adaptability of Hong Kong factories in their production;
- Product quality more reliable than that made in Taiwan and Korea;
- Political stability;
- Lack of import/export restrictions;
- A free port, no exchange control;
- Low tax rate;
- A good harbour and sound shipping facilities that permitted prompt delivery of products to their destinations;
- Sufficient banking facilities; and
- Adequate supporting industries.

Comparative disadvantages

On the other hand, there were some common disadvantages in Hong Kong commented by the manufacturers:

- Increasing labour costs;
- High rentals;
- Because of lack of natural resources, production was seriously controlled by materials supplied

from overseas;

- Limited area prohibited the production of products that required large factory space;
- High turnover rate of workers;
- Poor city planning and inefficient domestic transportation systems;
- Very keen local competition that lowered the profit margin of radio manufacturing; and
- Lack of Government support.

Competition

Local competition

A phenomenon was observed: manufacturers with local equity only and manufacturers with foreign equity were doing their business in different ways. Most foreign-invested firms set up production plants in Hong Kong to exploit the cheap labor as well as other comparative advantages. Most of them were producing high-price-high-quality radios which were sold through their existing marketing networks.

As for the local-invested firms, differences also existed between the large companies and the medium/small ones. More detailed discussions can be found in Chapter

3 and 4. In broad terms, Hong Kong radio manufacturers can be divided into three groups, namely, foreign-invested firms, local-invested large firms and local-invested medium/small firms. These groups employed different marketing strategies and sold their products through different export channels. They produced different kinds of products catering to different markets. Generally speaking, manufacturers competed among themselves within the same group.

These three groups met competition in different manners. The first two groups stressed quality and design while the third group concentrated mainly on price competition.

Overseas competition

The major competitors of the Hong Kong radio manufacturing industry were Taiwan and Korea. Both of these two countries had lower labor cost, larger factory space and lower rental than Hong Kong. This enabled their manufacturers to quote lower product prices.

Japan, on the other hand, acted as the leader of new designs and product development. With its advanced technology, it had already carved out its own markets and produced high-quality-high-price radios.

Radio manufacturing was still an infant industry

in Singapore.² Combined with its increasing labor cost and complicated government restrictions, it was not considered to be a major competitor of Hong Kong.

²Based upon interviews with manufacturers and officers in the Commerce and Industry Department as well as other trade organisations.

3.0 EXPORT MARKETING ACTIVITIES OF THE SELECTED MANUFACTURING FIRMS

3.1 Background Information of Selected Manufacturers

Company size

As already mentioned in Chapter One, the selected sample could be divided into two groups, namely, the large and medium-sized radio manufacturing firms. The selection was primarily based on the writer's prior knowledge obtained from informal contacts with knowledgeable people in the industry.

This study employed the usually popular concept for defining size of a company in terms of the number of employees. Since the subject matter in the study was manufacturing firms, the measure was confined to the number of factory workers hence non-factory employees were excluded.

To draw a line between large and medium-size manufacturers, a numerical standard of 500 was adopted. Therefore, companies with more than 500 workers were classified as large manufacturing firms, while those under 500 were classified as medium-sized. However, in analysing individual firms, other key features such as

level of technology and radio production as a percentage of total production have also been taken into consideration.

According to this standard, eight companies out of the selected sample were classified as large manufacturers, and the remaining four were medium-sized. This is shown in Table 3.1.

TABLE 3.1
SIZE OF SAMPLED MANUFACTURERS BY NUMBER OF
FACTORY WORKERS

Number of Factory Workers	Number of Manufacturers
less than 200	1
200 - 299	0
300 - 399	1
400 - 499	2
500 - 599	1
600 - 699	3
700 - 799	1
800 - 899	1
900 - 999	1
over 1000	1
Total	12

Year of establishment

The sampled factories were all established within 1960 to 1970. No factory in the sample was set up in 1967 and 1968. This might be a result of the local riots that occurred in 1967. However, since the research was done on a selective basis, conclusions drawn from the sample data could not be generalized for the whole industry.

Source of investment

During the informal contacts with knowledgeable people in the industry prior to the formal data collection, it was found that radio manufacturers of different sources of equity might employ different marketing strategies. Hence, both Chinese and non-Chinese manufacturing firms were included in this study. Table 3.2 describes the number of sampled manufacturers by sources of investments.

Except three Chinese firms, all other firms in the sample had radio manufacturing operations outside Hong Kong. Most of these foreign operations were located in Taiwan, Korea, Singapore, Malaysia, Japan, the Philippines and Macau. The companies had various reasons for the geographical dispersion of their radio production activities. They are discussed in more detail in Chapter Four.

TABLE 3.2
NUMBER OF SAMPLED MANUFACTURERS BY
SOURCES OF INVESTMENTS

Nationality	No. of Manufacturers
Chinese	7
U.S.A.	2
Japanese	1
Dutch	1
Italian	1
Total	12

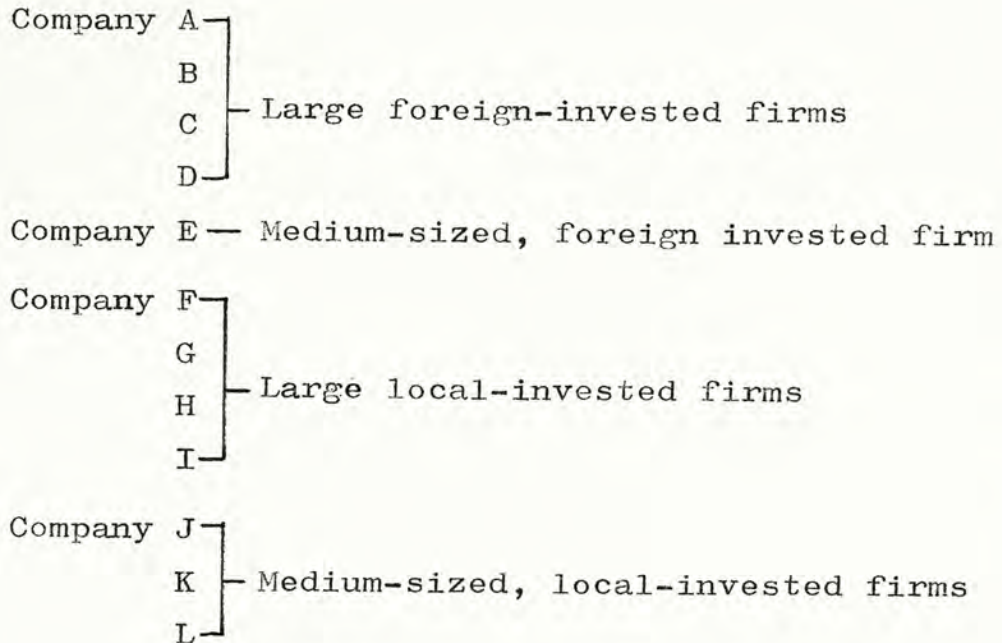
Grouping of selected manufacturers

All the descriptions in this Chapter are based on the information obtained from the selected manufacturers during the interviews. The combination of manufacturers in terms of size and equity base is shown in Table 3.3.

TABLE 3.3
COMBINATION OF MANUFACTURERS IN TERMS OF
SIZE AND EQUITY BASE

equity size	Local	Foreign
Large	4	4
Medium	3	1

To facilitate analysis, the selected firms were divided into four groups and identified by an assigned letter.



3.2 Product Development and Design

Radio is influenced not only by changes in technology but, more important, by changes in style and fashion as well. As one of the respondents said, radio in the contemporary world could be viewed as a kind of "adult toy." Thus, product development and design played a very important role in the radio manufacturing industry.

Production orientation

There were basically two approaches exercised by the manufacturers -- production to inventory and production to order. In case of production to inventory, a manu-

facturer produces the products according to its production planning, even if there is no existing order for the product. In the latter case, a manufacturer begins production of a certain product after an order has been received, and the amount of production is limited to the amount specified in the order. The research information indicated that most manufacturers exercised the "production to order" approach rather than "production to inventory". Some respondents explained that they were already too busy to fill the orders. Some pointed out that their products were fashionable items. It would be rather risky to hold inventories of a certain model which might be out of fashion before they were sold.

Product design

The designing task could be carried out either by the manufacturer or the customer. Large manufacturing firms who could afford to employ engineers usually had their own design department. However, Hong Kong radio manufacturers, whether large or small, are already well known for their capability to produce various styles and models specified by the buyers. Thus, even large firms with their own design departments were quite ready to accept orders along with model specifications from their customers. In fact, this has been quite a common practice in Hong Kong. In some instances, the buyers even provide

the 'mode' to the manufacturers. Figure 3.1 illustrates the overall workflow of radio production.

The focus of radio designs was mainly on the outlook of the products. In other words, the manufacturers placed more emphasis on the stylish design rather than technical design. This was especially true for those novelty items.

On the whole, the trend of new radio designs in Hong Kong, according to most respondents, was following the pattern in Japan.

Most large manufacturers followed the practice of one major annual change, along with so-called 'drop-in' models introduced during the year.

Generally speaking, a new model could last for about two years. After two years, sales would decline and the model would be replaced subsequently.

3.3 Export Markets

All the sampled manufacturers were export-oriented. They either did not have any local sales of their radios or just had a very minor portion. In fact, no company claimed to have their local sales more than five percent of the total sales volume.

As shown in Table 3.4, the export markets of the

FIGURE 3.1
OVERALL WORKFLOW OF PRODUCTION

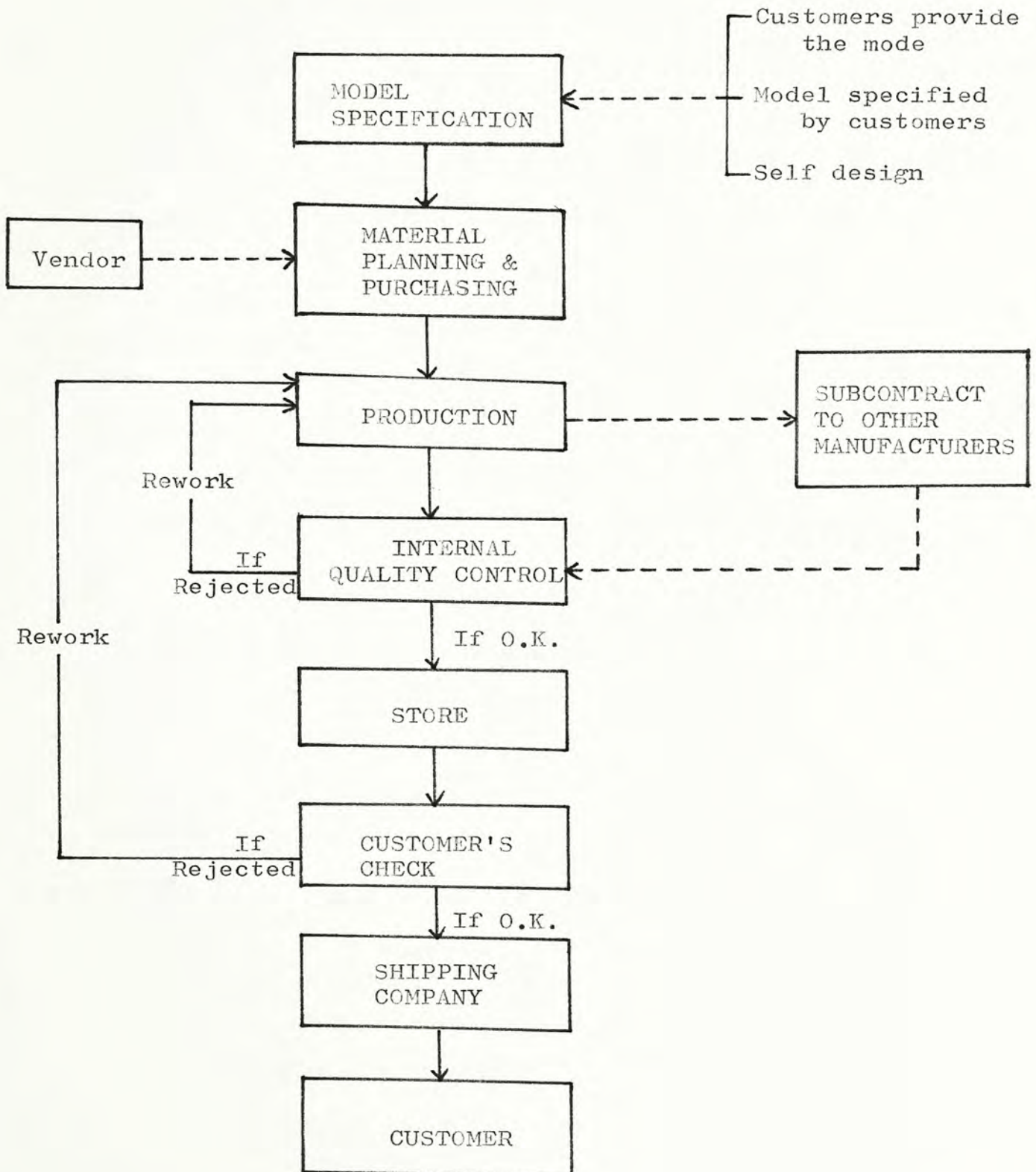


TABLE 3.4
MAJOR EXPORT MARKETS OF THE SELECTED
MANUFACTURERS IN 1975

Company	U.S.	Canada	Europe	Mid- East	South America	S.E.Asia & Africa
A	1					
B	2		1			
C	2		1			
D			1	2	3	4
E			2	3	1	
F	1	2	3			
G	1	2	3		4	
H	2		1			
I			1		3	2
J	1		2			
K	1	2	3			
L	3		2	1		

Note : The numbers in the table represent the order of importance of the markets served by individual companies in terms of sales volume in 1975. Hence, "1" represents the most important market with the largest sales volume, "2" represents the second important one and so forth.

selected manufacturers were concentrated in the U.S.A. and European countries at the time of the study.

However, some of the manufacturers were trying to explore into the Middle East, South American, the Eastern European and the African markets.

3.4 Competition

Competition among Hong Kong firms

In Chapter 2, the local competitive atmosphere was described briefly. It was pointed out that manufacturers could be divided into three classes. The large manufacturing firms, including local and foreign investments, put more emphasis on their product quality and designs as a competitive tool. They pointed out that reliability and good will were their most valuable assets. Basically, they were doing business with regular customers on long term bases. Price would be part of the considerations, but the product itself was more important to their buyers. Delivery dates were another critical factor. Sometimes they had to deliver the radios by air in order to meet the delivery dates.

Most medium scale and small manufacturing firms, because of their capital and production capacity constraints, received orders from export firms rather than built up long term relations with several major

buyers. In addition it was infeasible for them to have sound designing departments with large number of qualified engineers as possessed by the large manufacturing firms. As a result, they were quite dependent on the local exporters who operated as their marketing and export departments. This was the main reason why price was considered to be so important a competitive tool to these firms.

According to most respondents, local competition was so keen that the threat created among the Hong Kong manufacturing firms happened to be greater than the pressure received from the neighbouring countries. This was perhaps more consciously felt by foreign-invested companies. During the interviews, part of the discussion was about general competition. Without guiding the respondents to concentrate on the local aspect, some executives of foreign-invested companies immediately named several other foreign-invested manufacturers in Hong Kong and quoted them to be their major competitors.

Competition from overseas manufacturing firms

At the time of the study, radio manufacturers in Taiwan and Korea were regarded by the selected manufacturers to be their major competitors in the international market.

Radios produced in Taiwan and Korea generally

cost less and were of lower quality than Japan and Hong Kong. Taiwan had certain advantages over Hong Kong in terms of the availability of more economical labor, larger factory areas and lower rental. Moreover, Taiwan had a stronger supporting industry with more factories producing component parts for transistor radios. The increasing amount of foreign investments in its radio manufacturing industry also accelerated the pace of its technological improvements.

Korea also possessed the virtue of lower labor cost and larger factory space. Its wood producing industry facilitated the economical production of radio cabinets. Furthermore, the Korean Government has been playing a major active role in promoting their exports.

However, most respondents expressed that the Hong Kong radio industry had created a favourable image of being more reliable than Taiwan and Korea. Hong Kong radios might be quoted a higher price, but they were of better quality as well. Reliability of Hong Kong manufacturers in meeting delivery dates was also appreciated by the customers.

3.5 Pricing Policies

Generally speaking, Hong Kong manufacturers were producing medium price and low price radios compared with the existing radio products available in the major export markets. Because of keen competition in this industry, price has been considered by the manufacturers as well as the buyers to be a very important factor in the marketing mix. Yet it was not the only important factor. Many respondents listed other considerations which were equally or even more important than the price factor. Among these considerations were product quality, designs, reliability, delivery, updating technology and production efficiency. In response to the question of how their prices were established, the respondents provided the answers shown in Table 3.5.

Most of the firms set their prices according to cost calculations. Some of them expressed that in general they would use the cost-plus method which consists of adding a "reasonable" markup to the cost per unit¹. The usual markup in the Hong Kong radio industry was about five percent at the time of the study. When there were great fluctuations in business, whether upward or

¹E. Jerome McCarthy, Basic Marketing, (Richard D. Irwin, Inc., 1971). p.626.

downward, they would be particularly conscious about the environment and seriously considered the market situation.

TABLE 3.5
BASES FOR PRICE DETERMINATION BY
SELECTED MANUFACTURERS

Company	Cost-plus	Market price
A		X
B	X	
C	X	
D		X
E	X	
F	X	X
G	X	X
H	X	
I		X
J	X	
K	X	
L	X	

Note : X denotes the method that the company adopted.

3.6 Promotion Activities

Of the twelve sampled companies, three did not have marketing departments. They were Company D, Company E and Company L. Company D and Company E were foreign-invested companies who had their marketing function carried out in the head offices and sales organizations established in the major markets. Company L was a medium-sized manufacturing firm that did not have any marketing department yet. Its export sales were mainly through local export firms.

Table 3.6 provides a brief description of the promotion activities carried out by the selected manufacturers. We can see that no local-invested manufacturer had established overseas service stations. Most of them explained that it was too costly and they could not afford that at the time of the study.

3.7 Export Channel

Direct export

Most large manufacturers adopted the practice of directly exporting their products. In this case, the sales negotiation was conducted directly between the manufacturer and the buyer. Upon completion of the production, the manufacturer would ship the radios through a shipping company to the customer or the assigned destination.

TABLE 3.6

PROMOTION ACTIVITIES CARRIED OUT BY THE SAMPLED MANUFACTURERS

Company	Marketing Department	No. of Staffs	Promotion Activities			
			Advtg. on Magazine	International Trade Fair	Overseas Personal Promotion	Overseas Service Stations
A	Yes	15		X		X
B	Yes	4	X	X		X
C	Yes	2	X	X	X	X
D	No		X	X		X
E	No			X		X
F	Yes	6	X	X	X	
G	Yes	6		X		
H	Yes	4	X		X	
I	Yes	3		X	X	
J	Yes	4	X	X	X	
K	Yes	4	X	X	X	
L	No		X	X		

Note : "X" denotes the promotion activities exercised by the company.

Export through local export firms

To export through local export firms, the manufacturer would have to pay the exporter an agreed amount of commission. Originally it was thought that only those medium scale or small manufacturing firms would depend on export firms. After the research, this idea was proved to be wrong. Actually, many large manufacturing firms also engaged in doing business with export firms.

The main reason was that most Hong Kong radio manufacturers were rather passive in receiving orders. They usually did not take the initiative to search for their customers. As a result, the buyers' action became critical. If they approached the export firms instead of the manufacturers, the manufacturers really did not have much to do about that.

Why would a buyer go to an export firm rather than a manufacturer even if he had to pay a certain amount of commission? The following reasons were given by the respondents during the research:

- When the buyer had no communication with manufacturers in Hong Kong, the export firms could act as middlemen.
- In case of a very large order that could not be handled by a single manufacturer, the buyer would prefer to deal with an export firm rather

than to negotiate with several manufacturers.

- When a buyer did not have enough time to look for a most suitable manufacturer, he would seek help from export firms. He could provide the model specifications and let the exporter do the rest of the job. Or, he could select the model he liked from the catalogue provided by the exporter and let the exporter contact the right manufacturer.
- Sometimes when a buyer has already built up long term relationship with an export firm, he would think the exporter to be more reliable. In many cases, buyers were reluctant to open letters of credit to unfamiliar manufacturers.

In addition to local export firms, there were some buying offices in Hong Kong which were the purchasing agents of overseas chainstores. Their major function was to place orders to the manufacturers and handle the documentations and delivery of the radios for their parent companies.

3.8 Export Financing

Perhaps due to the sensitive nature of this topic, most respondents appeared to be more cautious and conservative in providing information about financial matters.

Direct export

The most common instrument used by the selected manufacturing firms for the financing of direct exporting radio shipments to other countries was the export letter of credit. Generally speaking, terms of sale were a matter of prior agreement between the buyer and the manufacturer. Irrevocable letters of credit were more frequently used. They were issued by the overseas importers.

Through export firms

If the manufacturers exported through local export firms, the letters of credit issued by the importers would be held in the hands of the exporters. The terms between the manufacturers and the exporters would be on a contract basis. Under such circumstances, the manufacturing firms might request partial payment in cash by the exporters in advance of production. In such cases, the exporters would give serious consideration to the size of the order, the market situation, the reliability of the manufacturer, its financial strength and whether it was new or old standing.

Bank loans

All the respondents said that banks was their major source of finance. Yet they provided very little infor-

mation regarding to this topic. In view of this, a bank officer from one of the local banks was interviewed. The discussion here is supplemented by the information obtained from that interview.

In the area of export financing, the instrument most commonly used by the exporters was one of the overdraft facilities called 'Packing Loan'. An exporter who received the letter of credit issued by the opening bank on behalf of the importer might take it as a collateral and ask for a loan either from the advising bank or its own banker. He normally could have the packing loan approximate to fifty percent of the amount specified in the letter of credit, depending on his credit standing and relations with the bank. The loan would be granted by increasing the exporter's overdraft limit. Interest would only be accrued from the amount being overdrawn by the exporter.

It is not appropriate here to go into detail discussions of various kinds of bank loans which are quite complicated. Instead, a general process of the handling of exports financed by letters of credit is depicted in Figure 3.2 on the following two pages.

FIGURE 3.2
GENERAL PROCESS OF THE HANDLING OF EXPORTS
FINANCED BY L/C

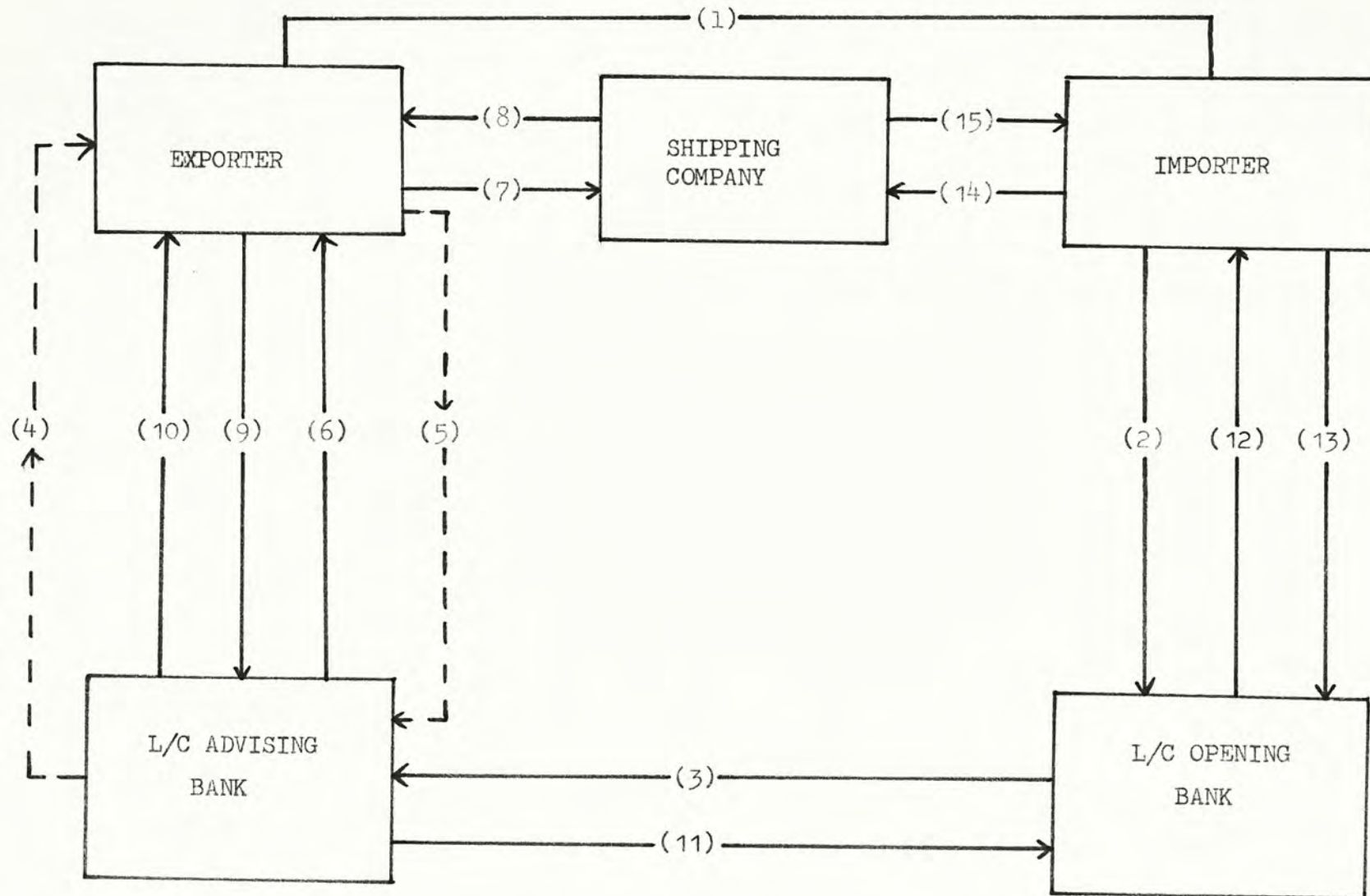


FIGURE 3.2 (continued)

Notes:

- (1) Mutual agreement of the terms and condition of the L/C
- (2) Application of L/C
- (3) Mailing of L/C
- (4) Advising of L/C to the exporter
- (5) Request for Packing Loan
- (6) Granting of Packing Loan
- (7) Radios delivered
- (8) Bills of Lading issued by the Shipping Company
- (9) Documents sent for checking and delivery
- (10) Payment made to the radio exporter
- (11) Mailing of documents
- (12) Documents signed and returned to the importer
- (13) Payment made by the importer
- (14) Bills of Lading presented to the Shipping Company
- (15) Radios received by the importer

3.9 The Impact of the 1973-74

Economic Recession

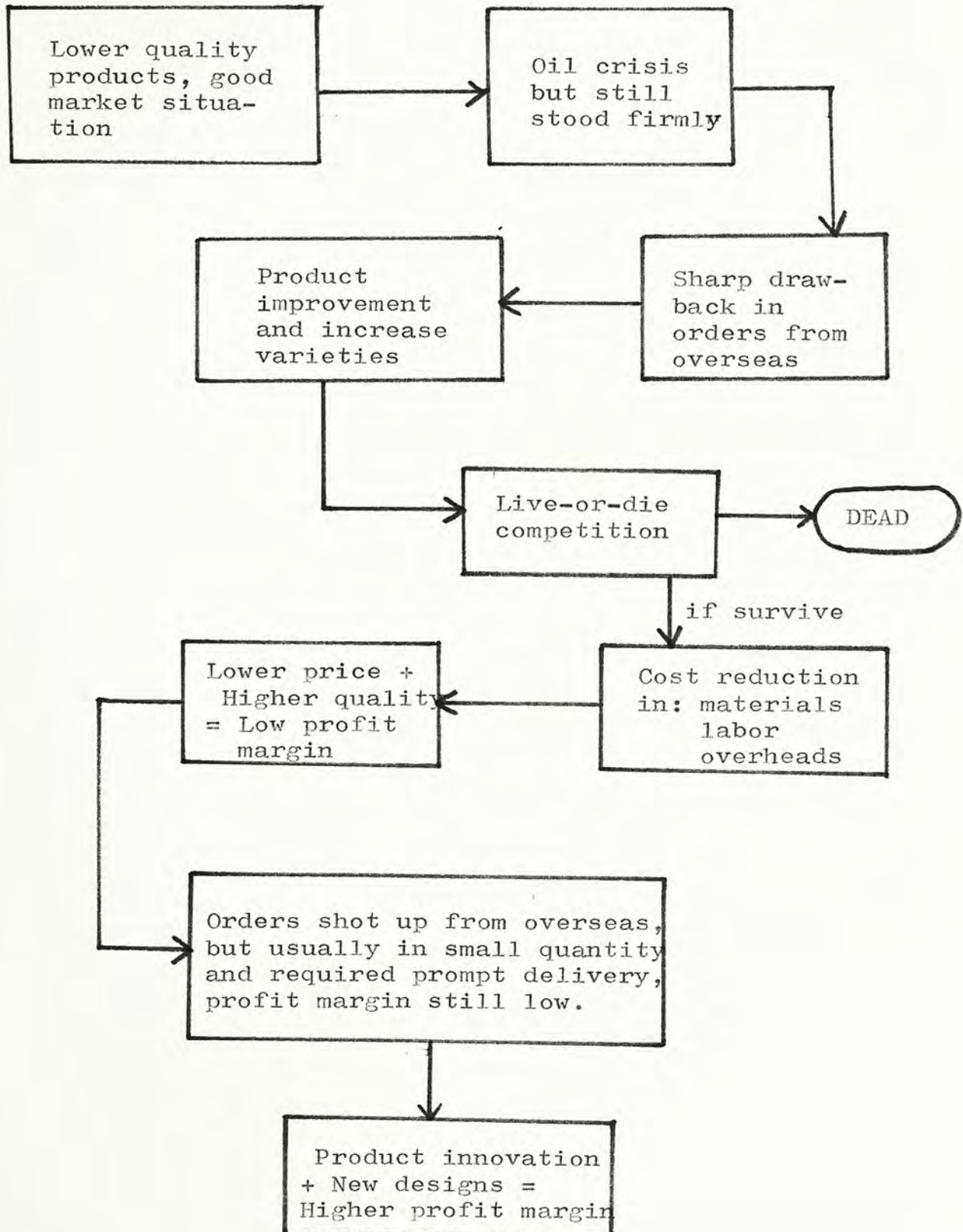
The oil crisis burst upon the scene in 1973 and induced economic difficulties among most of the countries in the world. In Hong Kong, petroleum-by-products-based industries, such as plastics and synthetic fibres, have been most severely affected by the oil crisis. How was the condition in the radio manufacturing industry?

In order to study the impact of the economic recession on the Hong Kong radio manufacturers, a set of questions were constructed to ask what actions were taken by the selected manufacturing firms to cope with the situation. The results indicated that despite the general world economic difficulties, the radio industry was relatively less affected. This was mainly due to the technical nature of the industry as well as a relatively less increase in material costs.

To combine all the information obtained from selected manufacturers and other knowledgeable persons, an overall review of the industry's performance from 1973 to 1975 was arrived. Again, because of the highly selective nature of the study, this review should not be viewed as conclusive. (Figure 3.3)

Concerning individual manufacturers, the influence of the recession varied considerably from company to

FIGURE 3.3

PERFORMANCE OF THE RADIO MANUFACTURING
INDUSTRY FROM 1973 TO 1975

company. Some foreign-invested firms which were sheltered by their parent companies suffered less than the local-invested ones. On the other hand, companies which had effectively planned their own ways were more efficient in dealing with the tough situation. These firms were the group with priority to survive and to be able to maintain their competitive positions.

In general, the toughest period experienced by the manufacturing firms was from June 1974 to March 1975. The actions taken by the selected firms during the mentioned period are summarized as follows:

- Slow down the production rate;
- Reduce the number of working days per week;
- Lay off workers;
- Reduce salaries and wages;
- Lower the vendor's quotation of materials and component parts;
- Keep the overhead cost to a minimum;
- Develop product variety and quality;
- Reduce selling price;
- Inject more working capital from:
 - . internal sources including retained earnings and funds from the owner;
 - . banks and finance companies;
 - . parent company in overseas.

4.0 EVALUATION OF EXISTING EXPORT MARKETING ACTIVITIES AS BASIS FOR RECOMMENDATIONS

During the interviews, the manufacturers were asked whether there were any critical problems they felt concerning the industry. Most of the respondents said that they had no problem at all. A few mentioned materials supply to be the only problem. However, the information obtained from asking other questions concerning the export activities of these manufacturers did indicate some possible problem areas that could be harmful to them. It is felt that some of these problems may have been unconsciously overlooked and some may have been intentionally denied by the respondents.

Problems discussed in this chapter were to a large extent based on the analysis of information obtained by asking indirect questions such as why they thought the future of radio manufacturing would be favourable or unfavourable.

Owing to the fact that this thesis concentrates on the export marketing aspect of the radio manufacturers, problems not directly related to marketing such as material supply and handling, labour supply, production

efficiency and personnel management are not discussed.

The problems in this chapter may seem to be numerous and too detailed. Yet they are necessary. In fact, these were the problems concealed in the industry and among manufacturing firms that must not be overlooked. Negligence of them would not make the problems disappear, but would lead only towards disaster.

4.1 Environmental Problems

These are the problems that are relatively uncontrollable, at least within a short period of time. However, manufacturing firms should be constantly aware of them. Even though they might not be able to solve the problems, they should try to find ways to protect themselves against unfavourable conditions.

Increasing labour cost

The Hong Kong radio industry is still rather labour-intensive. Yet the labour cost is increasing at a considerable rate especially in the electronics industry. If this situation continues, sooner or later Hong Kong radio industry will be overtaken by Taiwan and Korea. What should Hong Kong manufacturers do to maintain their position? Should their production be more capital-intensive? What will be the effects of capital-intensity with respect to production flexibility?

Will the increased employment of automatic or semi-automatic machines limit the variety of changes in product design?

Uncertain demand

"When will the U.S. market of radios become saturated?" This is a typical question that the marketing managers of many radio manufacturing firms have asked themselves. Radio is not a necessity. It is a consumer item that can be quite durable if handled with care.

Hong Kong has been exporting radios to U.S.A. for more than ten years and to Europe for more than fifteen years¹ with increasing annual sales. Besides Hong Kong, other radio manufacturing countries such as Japan, Taiwan and Korea are also increasingly exporting their radios to the same markets.

Logocally speaking, there should be a foreseeable saturation of demand in these markets. However, there has been so far no indication of such a phenomenon. What is the actual reason? Is it possible that a sudden drop in demand will happen? It is felt that the selected firms have not paid much attention to this critical

¹According to information obtained from the Department of Commerce and Industry, Hong Kong Government.

matter. One of the respondents said, "I have noticed this problem since I entered the business. Yet after ten years I still have no idea about it."

Changing demand

Along with the world economic recovery, there will be a foreseeable change in the products demanded by the existing markets. Low-price-low-quality products will be dominated by higher-price-higher-quality items. The Hong Kong radio industry, whose majority is producing low end radios, will face the risk of facing a downward tendency of orders received from the existing export markets.

Difficulties in new market exploration

Facing the possibility of a saturation in demand from existing markets, manufacturing firms should safeguard themselves by exploring new markets to create additional radio demand. In the meantime, the most promising new markets are the Eastern Europe, Middle East, South America and Africa. Inroads are being made to these countries but there are still many problems:

- foreign exchange problem;
- inadequate import/export agents in these countries;
- Hong Kong firms unfamiliar with the market situation and consumer taste there;

- difficult to estimate the market potential;
and
- no existing effective and efficient marketing network in these countries.

Competition from neighbouring countries

The technical gap between Hong Kong and Taiwan is getting closer. Korea is also moving up the stream quickly. On the other hand, Hong Kong is still lagging behind Japan. It is obvious that the competitive pressure from these countries will become heavier in the future. Hong Kong manufacturers have to continuously show the buyers some distinctive features of their products because price is no longer a competitive weapon of Hong Kong radios.

In addition to the markets and sales, competition is also focused on the attraction of foreign investments which is usually accompanied by advanced technology and management know-how. Increasing labour cost and high rentals are two major limiting factors in the Colony. How can Hong Kong provide an investment climate that is more attractive to the foreign investors than the neighbouring countries?

Local price war

If the radio manufacturers compete with each other on the basis of technology, quality or design, there can

be a creative effect. Unfortunately, most Hong Kong radio manufacturers, especially the medium and small-sized firms, are entering into a price war. They sometimes even quote lower-than-cost prices. This is one of their greatest mistake which is highly detrimental to themselves.

Import restrictions in foreign markets

A hot issue in the radio industry during the time of the study was concerned with the General Preference Scheme of the European Economic Community (EEC). Manufacturers were eager to get a Class A Preference which required the materials of the products to be 60 percent indigenous to Hong Kong². However, materials required to produce high quality radios are normally imported from Japan and America. Companies that could not get the Class A Preference were subject to higher import duty when export to the EEC countries.

4.2 Internal Problems

It is necessary to remark that the internal problems identified here are mostly concerned with local-invested manufacturing firms. The research indicated that the

²According to information obtained from the Department of Commerce and Industry, Hong Kong Government.

foreign-invested firms emphasized production rather than export marketing in Hong Kong. Their marketing function was carried out by the marketing departments in their parent companies.

Managerial aspect

Unaware of the importance of planning

Radio manufacturing is a fast growing industry in Hong Kong. During the past fifteen years, export sales of radio has sustained an annual growth rate of about twenty percent.³

Many of the radio manufacturing firms, especially those medium and small-sized ones, were not aware of the need of planning. They were in fact quite satisfied with the increasing orders from overseas and merely focused themselves on production flexibility in adjusting for customers' demand.

However, the downturn period of 1973-74 gave them a bitter lesson. Many inefficient manufacturers were wiped out of the industry. At the time of the study, more and more firms put greater emphasis on producing

³Census and Statistics Department, Hong Kong Government.

higher-quality-higher-price products. Because of the higher risk involved, the larger capital committed and the problems encountered in material purchasing and handling, the importance of planning must be taken into serious consideration.

Lack of marketing information

"Production to order" is one of the common feature of radio manufacturers in Hong Kong. It follows that their export performance and development is largely determined by the amount of orders received. Yet many of the manufacturing firms seemed to pay no attention to this inherent danger. They do not have an eagerness to search for marketing information in their export markets or potential markets.

Lack of marketing information in one way makes planning a difficult or even an impossible task. On the other hand, the plans constructed will be inefficient and ineffective. Furthermore, the firm is handicapped by the inability to anticipate forthcoming troubles and design the proper action accordingly.

Lack of marketing know-how

Although there is an increasing number of commercial students who are graduated from the two universities in Hong Kong, relatively few of them enter the manufacturing business. The Hong Kong Polytechnic, which has been the

major source of industrial personnel, does not have any full time course in management studies. Graduates of the Lingnan Institute of Business Administration of the Chinese University of Hong Kong -- the only institute in Hong Kong that offers post-graduate course leading to Master of Business Administration -- also tend to have their careers in the non-manufacturing sector.

What is the underlying reason for this tendency? Is it because the terms of employment or the future prospect is less attractive? Or is it the management philosophy in the manufacturing firms that is responsible for the unattractiveness?

Inappropriate management philosophy

It is felt that management philosophy is the key factor that leads to other managerial problems. Some of the chief executives in the medium-sized radio manufacturing firms are still applying inappropriate management with an unfavourable attitude towards changes and risks. This kind of attitude hinders the development of their firms with respect to product innovation, market exploration, promotion activities and the hiring of competent staffs.

Technical aspect

Ineffective marketing

A lot of discussion in the previous pages has been oriented towards this topic. As a whole, the effectiveness is influenced by a combination of marketing concept and personnel. Lack of a clear marketing concept or willingness to accept this concept will lead to ineffectiveness. Conversely, the absence of a competent team of marketing people to carry out the concept effectively will lead to the same result. Both of these cases were observed during the interviews. Some respondents said they did not need marketing at all. Some complained that their salesmen were not effective and the turnover rate very high.

Lack of connection in foreign markets

Some of the radio manufacturing firms did have the intention to promote their products directly to the foreign buyers, but many of them did not have prior connection in overseas. For some manufacturers, language barrier is another problem.

Decreasing profit margin

This is a result of the keen competition in the industry. Most respondents expressed that the selling prices of their radios in terms of the same models have

been steadily decreasing during the past three years, in spite of an increasing material and labour costs.

Difficulties in product innovation and design

The most common strategy employed by the selected large manufacturing firms in widening their slim profit margin was product modification. The focus was generally on feature and style improvement. When new designs were introduced, the manufacturers could normally charge higher prices. However, there are some underlying difficulties:

- Radio designs are easily imitated. Some of the firms registered their models and applied for patents but the method was of little effect. The imitators could slightly change the design and make it their own.
- Manufacturers can skim-the-cream during the introduction of the new design. However, the time allowed for cream skimming is becoming shorter. This is partly a pressure of competition and partly a result of imitation.
- Frequent changes in design affect the production efficiency.
- Engineers become idea-exhausted, and new designs

may not be accepted by the buyers.

Lower-than-cost prices

There are mainly two reasons for the firms to quote lower-than-cost prices. First, some of them do not have appropriate accounting procedures to calculate the total cost of their products. Second, many of them do so by necessity, not by choice. Their reason is to maintain production and to stay in business. This is, again, a result of the competitive pressure in the industry.

Capital constraint

A lot of marketing activities such as product design, promotion and direct selling are limited by the capital availability of many radio manufacturing firms. It is more difficult for the medium and small-sized firms to get bank loans than their large counterparts. They usually do not have sufficient collaterals required by the bank, and, in case of a credit squeeze, they will be the first victims with credit lines reduced, loans recalled or not renewed any more.

Inefficient in coordination of activities

This is basically a problem of intracompany communication, especially in large radio manufacturing firms. In many cases, sales is not matched with production. New

designs introduction and promotion activities are not properly timed. The coordination problem may be due to inefficient organization structure or personal conflict. Whichever the cause, the result is detrimental to the company.

4.3 The Possible Trend in the Future

Given the historical background and performance of the industry, some existing practices of the manufacturing firms and a set of inherent problems, what will happen to the industry over the next few years if the radio manufacturing firms continue on their present course?

The discussion here will be confined to several aspects that are more obvious. The analysis is primarily based on the research findings of the study.

Structure of the industry

Source of equity

Despite the increasing labour and rent costs, there will be a continuous flow of foreign investments into Hong Kong. Several reasons contribute to this argument.⁴

⁴Survey of Investment Conditions in the Asian-Pacific Region, 1975. American Chamber of Commerce, Hong Kong.

Hong Kong has no requirement either in law or practice concerning the local participation in foreign-invested enterprises. There is no restriction placed on full remittance of profits and capital of companies owned by foreign interests. These two considerations are most inducive to foreign investments.

Other attractions for investors include: its location, shipping and communication facilities, absence of tariffs, low taxation and government policies which interfere as little as possible with business decisions.

Assumed that there will be an increased amount of foreign capital flowing into the Hong Kong radio industry, what will be the impact of the growing number of foreign-owned radio manufacturing firms on the local-owned firms? This can be viewed in several aspects.

First of all, concerning the competition in export sales, it is felt that the present situation will continue in the foreseeable future. In other words, manufacturing firms with different sources of equity will market their products in different ways and not directly compete with each other.

From another point of view, a greater impact on the radio industry may be expected with respect to labour costs and manpower supply. The injection of more foreign capital into the industry may create a larger demand of

workers and thus accelerate the rate of wages increase. In addition, the degree of competition in acquiring competent managers and staffs will be much higher.

Finally, the increased number of large scale manufacturing firms may worsen the existing problem of material supply.

Size of manufacturing firms

In view of the keen competition in this industry, the large manufacturing firms which have stronger financial background and more effective organizational structure are the most probable survivors and should have better prospects in the future.

Medium-sized firms which are producing relatively high-quality-high-price products have a better standing than those which produce low-quality-low-price items. At the time of the study, price is already not the most competitive weapon for Hong Kong-made radios. In the future, emphasis will be placed on product quality and design.

On the whole, there is a trend among radio manufacturing firms to move up to larger scales if they are to remain competitive.

Employment

As mentioned in the previous page, the growing number of foreign-invested firms may create an increased demand for factory workers. However, if radio manufacturing firms become more capital intensive in their production method, this additional demand of workers may be offset by the increased use of automatic and semi-automatic machines.

Changes in Products

According to analyses in the above chapters, it is obvious that product innovation and improvement is a must to Hong Kong radio manufacturers if they are to survive and grow. They have to modify their products out of competitive necessity. The most probable changes will be the improvement in feature, style and quality.

Feature improvement

Feature improvement is to redesign the radios in order to increase the number of user benefits.⁵ The main stress will be on convenience. One of the selected manufacturing firms that was concentrated on producing digital-clock radios has incorporated into the clock

⁵Philip Kotler, Marketing Management-Analysis, Planning and Control (Prentice-Hall, Inc., 1972). P.455.

radios such functions as alarm, wake-to-music and sleep-to-music, high intensity lamp with manual and automatic control. It is felt that product modification in the future will be concentrated on the feature improvements.

Style improvement

In addition to functional appeal, style improvement is aimed at increasing the aesthetic appeal of the radios such as push-button control, slide rule tuning and deluxe cabinets. Style improvement is particularly important in marketing novelty radios. The future emphasis is expected to focus on the youth market.

Quality improvement

Compared with the above two attributes, quality improvement is on the whole less emphasized by radio manufacturing firms in Hong Kong. However, some large manufacturers producing sophisticated products such as music centers do consider quality to be a very important factor.

Export markets

The U.S.A., Canada, West Germany and the EEC countries have been the top buyers of Hong Kong-made radios. However, growing attention has been directed by Hong Kong manufacturers to other European countries, Central of South America, Middle East, African and Far Eastern

markets⁶. This trend is expected to continue in the future. The degree of progress still remains to be seen.

Changing role of export firms

Two interviews with executives of two export firms were conducted. The executives expressed that more and more radio manufacturing companies directly exported their products. There are mainly three reasons. First, foreign buyers visited Hong Kong more frequently than before. In this case, they could contact the manufacturers themselves and avoid the commission payment. Second, large orders were usually handled by large manufacturers. They had connections with the buyers and were capable to negotiate directly with them. Third, some large foreign buyers has established their own buying office in Hong Kong.

Export firms were less progressive in handling radio exports because of the relatively low profit margins.

The above arguments lead to the thinking that the role of export firms in the Hong Kong radio industry may change in the future. There are two possible situa-

⁶Hong Kong Federation of Industries, Annual Report (1973, 1974)

tions they may enter. If these firms occupy themselves in exporting other lines of products and let the radio business continue on the present course, they may play a declining role in the future.

On the other hand, if the export firms want to maintain their position in the radio industry, they have to expand their functions in addition to acting as merely pure agents. Financial assistance, market information, product design and promotion activities are some of the additional services that export firms can render to the radio manufacturers.

5.0 SUGGESTED EXPORT MARKETING STRATEGIES FOR LARGE MANUFACTURING FIRMS

It was originally planned that recommendations would be made in the light of the problems identified in Chapter 4. However, from a practical point of view, it is desirable to separate the suggested strategies for large manufacturing firms from those designed for medium-sized firms. For these purposes, the most important problems facing each of the above-mentioned groups of manufacturers are identified, and alternative strategies that may hopefully alleviate some of these problems are suggested. This chapter focuses on suggestions for large manufacturing firms while Chapter 6 is concerned with suggestions for medium-sized firms.

It should be emphasized here that the suggested strategies included in these two chapters are not meant to completely solve the problems listed in Chapter 4. Some problems may also exist in both large and medium-sized manufacturing firms.

5.1 Marketing Information

The importance of planning has been emphasized in Chapter 4. Information is the fundamental input in the planning process because decisions guided by well-analysed

and factual information mean less trial and error and will be more efficient. Manufacturing firms that wish to have effective marketing planning must in the first place have sufficient marketing information.

Type of information required

A marketing manager needs essentially both internal and external information that can best reflect, at a particular point of time, the situation of his company in the industry. Hence, a situation analysis is the fundamental requirement in any marketing plan. Typically, the analysis includes:

- Market identification and background
- Market facts
 - . Competitive positions
 - . Competitor evaluation
 - . Market segmentation
 - . Market characteristics and trends
- Product facts
 - . Product mix
 - . Sales/profit history and forecasts
 - . Opportunities and obstacles
 - . Advertising/promotion
 - . Pricing

- Marketing department
 - . Organization chart
 - . Sales force

Information should be gathered and reviewed constantly. To be systematic and consistent, the manager should list the information required that can best reflect the company situation. Periodical assessments can then be made according to this list.

Information obtained from the situation analysis creates a more logical and easier task for the marketing manager to define the marketing objectives, strategies and programs for the following period of time, for example, the coming year.

Sources of information

Internal information which is generated from the operation of the company is readily available. However, some problems usually occur during the information flowing process. Special attention should be devoted to maintain an efficient information system that permits an accurate assessment of the current situation.

The gathering of external information, on the other hand, requires greater efforts on the part of the marketing manager. Many radio manufacturing firms still relies

on the overseas buyers or dealers as a source of market information. Yet information obtained from these people may have been filtered or obtained in some non-systematic ways.

Hence it is suggested that these firms should either set up their own market information gathering group or resort to external agencies. It is only through properly gathered information can a picture of the market be obtained.

5.2 Product Engineering

The importance of product engineering is stressed here because sooner or later practically every product either is replaced by another one or degenerates into profitless price competition. Currently the major foreign competitors of Hong Kong in the radio industry are meeting competition through pure price cutting. It would be unwise for Hong Kong to follow suit because Hong Kong has labour and rental costs much higher than its competitors. Hong Kong should concentrate on product engineering, which is concerned with product modification and new product innovation. It is only through product engineering that Hong Kong radio manufacturers can create new product life cycles at the maturity stage and hence can maintain a good profit continuously.

The idea of product engineering introduced here

excludes imitation of products because in so doing we are in fact following the stride of our competitors. To manufacture to customers' specification may be essential for getting the order sometimes but should not be encouraged because merely produce to order will not impress the customers deeply. What the manufacturing firms should do is to constantly catch the attention of the customers by giving them information of the product that is currently developed or out of market already. The essence of product engineering is to let the customers come for your product, not to let them come with a specification.

However, it can happen that product engineering may present different problems especially when tooling and selecting components are concerned.¹ Care should be taken in considering changing the present production facilities and selecting the correct components. Possible technological breakthrough should always be watched for in that any such changes may cause obsolescence of existing production facilities. It would be a tragedy to abandon a new production line because of a sudden breakthrough in new processes giving much costs reduction but requiring a new set of production tools.

In view of the above difficulties in product engineering, the product development engineers will be the key persons in this important task. If possible, the

¹According to information obtained from interviews.

engineering group should include engineers of various background and experience so as to facilitate brainstorming and idea-generation.

Concentration should be in capital-intensive areas where reliance on low cost labour can be greatly reduced. However, this would involve higher skills from the operating personnel who may be difficult to obtain.

To determine whether a prototype is justified for production, the internal resources availability must be carefully considered. The marketability of the product should also be studied in order to determine an optimal balance of the production of the old and new design.

5.3 Active Promotion

Hong Kong radio manufacturing firms should, bit by bit, abandon their present practice of relying on buyers who come to place orders. To adopt a long term point of view, it is very desirable for Hong Kong manufacturers to promote their own brand name in the overseas markets. Japan has been able to achieve this. For example, Sony and National, especially Sony, have created a favourable brand image in the United States. Of course there will be foreseeable difficulties and in fact will be quite costly during the promoting stage.

But brand promotion is a strategy to survive and grow, and it can give Hong Kong a long term advantage.

Each method of promotion adopted by the radio manufacturers has its pros and cons. The following analysis is concerned with individual devices.

Catalogue

The printing of catalogues has already become a kind of service instead of promotion. Almost every radio manufacturing firm adopts this method. However, a more active approach is direct mailing by sending the catalogues to the existing and prospective intermediate customers. This does not involve much cost and is worth trying.

Advertisement

Most of the selected firms advertised in magazines such as "Hong Kong Enterprise" and "Asian Sources-Electronics." One of the respondents expressed, "We have advertised in these magazines but later stopped doing so, not because it is ineffective, but because it only attracts general merchants. We don't have interest to do business with general merchants." This particular company was aiming at producing quality radios for overseas radio manufacturers on a long term basis. Detailed discussion is held in Section 6.5.

Therefore, it depends on the company policy. If the manufacturing firm is aiming at attracting general merchants, then advertising is an effective method. It is not too costly and is thus quite suitable for most of the manufacturing firms.

International trade fairs

There are several advantages in joining international trade fairs. Hong Kong manufacturing firms can get more information about competitors and updated designs. On the other hand, it is a good opportunity to get orders from new customers.

There are basically two approaches to participate in trade fairs. Manufacturers may join the exhibition on an individual basis, which involve promoting their own products by their own people. Or they may join through the Hong Kong Trade Development Council on a group basis, which does not involve any manpower on the part of the manufacturers. The first approach is far more active than the last one but is also much more costly.

On the whole, international trade fairs are successful means of promotion in the radio business. It is worth mentioning here, however, that the Hong Kong participants should not concentrate too much on the order getting purpose. They should focus on opportunities

to establish relationships with agents and distributors which can lead to a more permanent distribution channels in the foreign markets.

Personal selling

This is a well-known promotion method but unexpectedly is not commonly practiced by Hong Kong radio manufacturing firms especially with Chinese equity. One reason is that they may not have enough connections overseas and this discourages them from paying visits to their prospective markets. Many of the managing directors and marketing managers are also too busy solving day-to-day problems, and they often have the excuse of staying in Hong Kong.

Actually none of the above reasons is reasonable. Personal selling can provide the manufacturing firms first-hand information which is otherwise unobtainable. Paying visits to the existing customers may secure valuable feedbacks and promote mutual understanding, which are basic requirements in establishing long term relationships. Paying visits to prospective customers is an effective approach to create new opportunities.

While active promotion is stressed in this section, personal selling is highly recommended. It does not involve much capital and manpower investment and can be easily handled by individual manufacturers. It is only

through direct assessment that the objective of promotion can be best achieved.

Service stations or permanent display centers

No Chinese radio manufacturer in the sample has service station or trade center in the foreign market. They claimed that it was too costly to establish and operate. It is felt that before Hong Kong manufacturers have created a brand image in the foreign markets, it may not be justified for them to set up service stations in overseas.

However, they may consider establishing show rooms on a group basis where they can display their latest designs and share the cost among themselves. This is a worthwhile step in promoting their own brand image and at the same time may stimulate the awareness of foreign customers on Hong Kong-made radios.

It is not advisable here for a radio manufacturer to take any one of the above methods and serve as a primary means of promotion, since individual method is not likely to provide the whole range of promotional coverage necessary for the radios. Besides, the various methods are not mutually exclusive, Therefore a combination of promotional devices is required to form an adequate promotional mix.

5.4 Overseas Sales Organisation

The most common current practices among Hong Kong radio manufacturers of local equity in exporting their products are wither direct shipment of the radios to the buyers' warehouses or through local export firms. It is felt that both of these two methods are indirect approaches in which foreign sales are handled in essentially the same way as domestic sales. Both the international marketing know-how and the sales achieved by these indirect approaches, however, are probably limited.

If these firms want to commit themselves further to foreign involvement, they should go beyond indirect exporting approaches to direct exporting. The advantages of directness are not only greater sales, but also greater control and better market information.

If both the markets and the firm are large enough, the firm can establish its own sales subsidiary, thereby exporting to itself in the foreign market and controlling its marketing program there. Another approach, which is more economic and especially suitable for smaller firms and smaller markets, is to select a local representative in the foreign market to distribute the firm's products. The costs of the representative can be shared in a cooperative way among several Hong Kong manufacturers of non-competitive products.

Direct and indirect exporting are not mutually exclusive. A manufacturing firm has to consider the size of foreign sales in various markets and see whether it justifies the high costs of going direct. A firm may choose to export directly to certain large markets but export indirectly to reach a number of smaller markets.

5.5 New Markets Exploration

Although active promotion is suggested to radio manufacturing firms, careful consideration of company capability is required before going to the new markets. One of the common mistakes these firms made in exploring new markets was being too aggressive but not systematic.

To a company, a new market is one which it has not sold to before. In entering new markets, the following factors should be analysed before making any decision:

- existing radio price level in the new market;
- product design required versus the company's production capability;
- existing distribution system in the new market; and
- ease of market entry.

The radio manufacturing firms should really investigate the whole situation before making any major move. If they go where everybody goes, the share that they can

get may not justify the cost of entering the market. Once the action is taken strong commitment will be required.

5.6 Selection of Buyers

So long as a company depends to a large extent on the orders placed by foreign buyers as currently practiced, they are bound to be a "yesman" to these buyers. Yet it is quite unwise for the manufacturers to put themselves in such a passive position.

According to research findings of this study, there are some buyers who always make trouble. They may impose unreasonable requirements, make unnecessary changes, withhold the letter of credit after negotiation has been successfully completed, or even deliberately reject the shipment upon completion of the order. All these malpractices can lead to great losses to the manufacturers.

Hence it is essential for a manufacturer to select his buyers carefully. The criteria of selection depend on the manufacturer's policy and company objectives and is very much a matter of judgement which has to be based primarily on experience.

There is a growing trend among the selected manufacturing firms to cater to the original equipment manufacturer, called the "OEM" customer. One of the selected firm, which is a large Chinese manufacturer, was

most aggressive in promoting this type of business. The marketing manager of the company, whom the writer interviewed, had good connection with foreign manufacturers. He contacted these manufacturers and negotiated a long term contract which usually lasted for about three years. He called it a "marriage." Their task was to produce various kinds of radios, either designed by themselves or specified by the "OEM" customer, bearing the customer's brandname and label. These "OEM" customers are usually giant manufacturing firms in Japan and Europe.

Basically this kind of business practice enables the Hong Kong manufacturing firms to plan ahead with greater confidence. However, this is not the ideal solution. It has the defect of being dependent on somebody else. In case of a business crisis in the radio industry, Hong Kong manufacturers will be the first to lose business. A permanent approach is to promote the brand image of Hong Kong-made radios. Detailed discussion can be found in Section 5.3.

5.7 Appeal to Domestic Market

According to the interviews conducted for this study, over 95 percent of the radio manufacturing firms are producing radios for export. The local market in fact seemed to have been neglected. This is a very common phenomenon in Hong Kong but is quite uncommon in most

other countries.

So far as the radio industry is concerned, the local market should be a big opportunity for domestic sales. Each year we have a large amount of radios imported from overseas such as Japan and West Germany. Some of the imported radios are high-quality-high-price items. Actually they are priced much higher than what Hong Kong manufacturers can produce. If the local market can be tapped, local radio manufacturers can have a domestic cushion and can even enjoy a higher margin.

To appeal to the local market, certain points need to be considered. Technically, the characteristics of the radios should be adjusted to the local environment, take for instance, the voltage and bandwidth. These will not present severe problems since technical modification in this respect is rather simple. Financially, the payment terms should be adjusted. Most local sales of Hong Kong made products are credit sales. To small manufacturing firms, the credit facility problem may present work capital constraints but it should not be a large problem to large manufacturing firms.

Perhaps the most difficult aspect in promoting local sales stems from the prevailing impression of Hong Kong people against Hong Kong made products. This actually was one of the complaints made by the respondeents in the interviews. Yet it is hoped that the rising level

of education among Hong Kong citizens may eliminate their hidden inferiority towards locally made products.

5.8 Coordination of Activities

There is indeed a vast amount of activities involved in export marketing of radios. A good marketing system should be set up in order that the company's marketing objectives can be achieved efficiently and effectively, and at the same time to be in line with the company's overall objectives and within the major constraints.

It is necessary for the manufacturing firms to adopt a total system view. The design should start top-down. Efficient communication channels must be built into the system through which the marketing activities can be coordinated with other functions such as production and finance.

Without a proper coupling of the various activities within the company, resources are bound to be inefficiently applied. Such coordination should be the major concern of top management. A proper information system² may be required to support the communication process.

²Section 5.1

6.0 SUGGESTED EXPORT MARKETING STRATEGIES FOR MEDIUM-SIZED MANUFACTURING FIRMS

6.1 Create a Favourable Image

Hong Kong is losing ground to competitors like Taiwan and Korea so far as price is concerned. To maintain a strong position for Hong Kong radio industry in the world market, radio manufacturing firms must impress the overseas buyers with a capability to provide something unique.

The medium-sized manufacturers, while limited by their financial strength and relatively few connections in overseas, should protect themselves by creating a favourable image to attract business. The key factor is reliability. Radio manufacturers should be reliable in terms of product quality and delivery. The agreed delivery dates should be met and the radios delivered should be consistent with the quality as specified by the buyers.

Some large factories have installed precise equipment for quality control but medium-sized factories may not be able to do so. However, outside services are available. The Hong Kong Standard Test Center, which is a division of the Federation of Hong Kong Industries,

provide independent and professional testing services for most Hong Kong products including radios.

6.2 Improve Accounting Techniques

The damage caused by improper pricing may completely destroy the effectiveness of a well-conceived marketing plan. At the time of the study, the cost of production was a fundamental consideration in price determination in the Hong Kong radio industry.

It is necessary for the radio manufacturing firms to have accounting systems that can produce timely and effective information for use by management in decision making including pricing.

Better cost accounting techniques enable the firms to estimate their costs of products more accurately and to quote their prices more rationally. Manufacturing firms should carefully and constantly prepare their financial statements which are often useful in requesting bank loans or loans from the Hong Kong Government. Therefore it is essential for the firms to employ accounting staffs capable to design and implement effective and efficient accounting systems.

6.3 Planning

The importance of planning has been mentioned several times in this thesis. Planning is essential to all radio manufacturing firms, but medium-sized firms often pay less attention to it. This is one of the greatest mistakes they have made.

It is again emphasized here that planning, which is vitally important to radio manufacturing firms, is not limited to large firms. Medium-sized firms need planning as much as their large counterparts do.

There are numerous advantages of planning. To list a few of them:¹

- focus management attention to the future;
- give the company a better chance of exploring opportunities and of avoiding pitfalls;
- reduce the degree of risk in making important decisions;
- coordinate individual efforts of the management team; and
- improve management performance.

It is worth mentioning here that attention should not be focused on the plans only, execution of plans is

¹B. Hudson-Davies, "Long Term Planning", Management and Economics in the Electronics Industry (U. of Edinburgh, 1970)

equally important. Poor execution of a sound plan is as bad as effective execution of a lousy plan.

6.4 Flexibility

Although planning is important in export marketing, manufacturing firms should be careful enough not to lose sight on maintaining flexibility in their operations, which is one of the most valuable assets of Hong Kong radio manufacturers. Planning should be systematic, but not be rigid or inhibit opportunities.

There is often a trade-off between planning and flexibility. Manufacturers should consider their company objectives, financial strength, market situation and competition in order to arrive at a good balance of flexibility built in their plans.

6.5 Effective Marketing Personnel

Most of the marketing departments of the selected manufacturing firms in this study do not have more than ten staffs. It is felt that in hiring marketing personnel, quality is more important than quantity.

A food marketing manager in a medium-sized radio manufacturing firm should have the following qualifications:

- understanding of marketing concept and the ability to apply in marketing radios;
- knowledgeable about the radio industry;
- fluency in English, preferably other languages too; and
- know the technical aspects of radio production.

It is desirable to hire marketing managers or salesmen who have connections with overseas buyers. But the manufacturers have to be careful if some of the sales personnel treat the connections as their personal assets. In this case, the manufacturing firms may face a puzzling problem because firing these people means turning business away.

6.6 Product Improvement

Some of the medium-sized firms may not have sufficient capital to finance their own design departments with qualified engineers and professional designers. Yet they can still improve their products by constantly reviewing the trend of radio designs in the foreign markets. The crucial matters to be kept in mind are consumer-oriented and updated information.

6.7 Financing the Expansion

Medium-sized manufacturing firms are more likely to have financial problems than the large firms. Money

is hard to find and borrowing is difficult. In case of a credit squeeze from the banks, these medium-sized firms are more likely to have their credit lines reduced, loans recalled or not renewed.

If the business grows quickly, additional capital is necessary. An ideal solution is to plan and control the company's operation and provide a high level of profit along with a large cash flow. But medium-sized firms rarely have the capability to design and implement the necessary system.

Another method of financing the expansion of manufacturing firms besides the ideal one is subcontracting. A subcontract relationship exists when a company (called a contractor) places an order with another company (called a subcontractor) for the production of parts, components, sub-assemblies to be incorporated into a product to be sold by the contractor.

There are many benefits a medium-sized factory can derive from sub-contracting:²

- A steady off-take of output by its contractor lessens the pressure of competition, especially price cutting. It has a better chance of survival.

²Victor Mok, The Small Factories in Kwun Tong: Problems and Strategies for Development, The Chinese University of Hong Kong, 1974.

- Given the existing established relationship between the small factory and the contractor, many things which the small factory is less efficient in doing can be delegated to the contractor. These include marketing and market research, bulk purchase and regular supply of materials, product design and other information in general which the contractor can better handle.
- A good working relation goes beyond contractual purchases. The contractor can provide much valuable guidance in technical know-how, product lines, quality inspection and control as well as management efficiency.
- The contractor can also render useful assistance in financing such as trade credit and regular payments.

All these will save much time and effort of the medium-sized radio manufacturers which can be better spent on realizing its comparative advantages through specialization.

However, there are some difficulties. Large manufacturers may not be willing to do so because they tend to think it is rather risky to share their business with a smaller, less efficient and perhaps financially unsound manufacturer. On the other hand, medium-sized

radio manufacturers may be reluctant to abandon their independence.

If medium-sized radio manufacturers rely on subcontract relationships to finance their growth, such relationships must be regular and long-standing, valued and honoured by both sides.

7.0 CONCLUSION

Although the Hong Kong radio manufacturers are advised in this thesis to increase their efforts in export marketing, caution is necessary. Effective marketing must be exercised along with sound financial and administrative control. Otherwise, it will be merely a waste of resources without yielding the desirable effects.

There are many control devices concerning the appraisal of marketing effectiveness.¹ A simple but effective approach is to consider marketing as a kind of investment which is to be evaluated on a project basis.² The activities can be controlled by periodical audits and the results are used as a reference to decide whether the project should be retained or withdrawn.

Marketing is not the most urgent problem for most of the foreign-invested radio manufacturing firms in Hong Kong. Instead, they are more concerned about their production costs control and personnel management, which is beyond the scope of this study.

¹For detailed discussion, refer to A.S. Johnson, Marketing and Financial Control, (Oxford, N.Y., Pergamon Press, 1967)

²Le Rockley, "Spending Company Money Wisely", Professional Administration, March 1974, pp.11-14.

Because of time and resources constraint, the present study does not cover all the problems that are critical to the Hong Kong radio industry. The following are some of the interesting topics that need further research:

- How to solve the long-existing problem of material procurement and handling?
- How can radio manufacturing firms increase their production efficiency without losing sight of other functional aspects?
- What measures can foreign-invested firms take to reduce their overhead costs which are usually considered to be higher than local companies?
- What is the difference between radio manufacturing firms with foreign equity and those with local equity in terms of their business practices and management style?
- Do the Hong Kong export firms encounter the same problems in other lines of business as in the radio industry described in Chapter 4 of this thesis? What will be the future prospects of the vast amount of export firms in Hong Kong?

The success or failure of an enterprise is primarily determined by its performance in the marketplace. However efficient its production processes, however subtly it manipulates its financial resources, if no one wants to buy what the company offers it will go out of business. Recognising that he operates in a rapidly changing business environment, the marketing manager in the radio manufacturing firm must be equipped with the very best tools for the job. He and his company are often competing directly with other members in the industry, both local and abroad. In no way can a marketing manager afford to place himself at a disadvantage in relation to his competitors.

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香港製收音機之外銷方式——選擇廠家研究

香港電子工業崛起於一九五九年，其間發展極為迅速，最初只有工廠兩間，至一九七四年則增至三百八十二間。其出口值於一九六四年躍居本港總出口之第二位，於一九七二年更超越塑膠製品而成為僅次於紡織業之本港第二大工業。

在本港電子出口產品中，原子粒收音機一直處於最重要地位。事實上，於一九七四年，香港收音機出口值佔全

世界第二位。然根據本港電子產品出口數字顯示，電子零件於同年首次超越收音機出口量而成為電子業出口最多之項目。再回顧近年來各電子產品之出口業績，收音機之出口增長率似較其他新興電子產品稍遜。作者乃就此項問題作一研究，重點在於本港收音機製造商外銷策略之分析及檢討。資料來源有直接及間接兩方面；直接資料來自十二間抽樣收音機製造商，資料搜集方式為個別訪問，目的在瞭解各廠家之產品外銷方式及出口狀況。間接資料除工商統計數字外，尚包括其他有關人士之訪問，如收音機出口商、外國駐港買家、本港銀行及其他工商團體等。

據搜集資料所得，本港製收音機所需之原料及零件大部份來自日本、台灣及美國。製成品之出口市場則以美國為最大宗，其次為西德及英國。一九七二年以來，歐洲共同市場之重要性日趨明顯，大有後來居上之勢。受訪問之廠家一致表示，此行業競爭頗為激烈，其中尤以本港廠商間之競爭為甚。外地競爭者則主要為台灣及南韓，蓋兩地租金及工資皆較香港為低，故能吸引大量外資投入生產。一般而言，本港產品品質及技術水平均較台、韓為高，且交貨日期準確，此乃本港最有利之競爭條件。產品方面以不斷創新為主，務求迎合市場需要和顧客口味。小型廠商

由於資源缺乏，多採跟隨別人之政策。大型廠家則可僱用設計師，專門研究新產品之發展。由於此行業競爭激烈，價格乃成為銷售策略中之重要因素。大型廠家在推出新產品時，尚可定一較高價格，從而獲得較佳利潤；小廠則受制於本身條件，往往以價格為獲取訂單之唯一要素。總括而言，廠商多根據成本另加利潤（平均約百分之五）作為計價標準。

在十二間抽樣廠商中，事實佔七間。根據作者研究結果，顯示外資廠商之外銷方畧與華資廠商畧有差別。外資廠商在本港生產之主要目的在於利用廉價勞工及其他有利

因素，至於產品推銷及市場拓展則大部份由其母公司負責統籌，香港合公司無須操心。華資廠商則須兼顧生產與拓銷兩方面。實際上，彼等所採取之拓銷方法相當被動，大多教沿用雜誌廣告或參加國際性展覽會；亦有較主動者，如派人赴海外市場推銷產品。華資廠家很少在當地市場設服務站或陳列室。

在過去十年中，收音機業之發展固然迅速，但所遭遇之困難亦多。目前此行業所面臨之問題可分外在與內在兩方面。外在問題包括工資上升、工人短缺、市場需求不穩定、拓展新市場遭遇種種困難、本地和鄰近國家之競爭壓

力、以及海外市場實施各種入口限制之可能性等等。由上述問題事實上視個別廠商而定，一般而言，廠商缺乏週詳之市場計劃，產品發展亦有技術上難題；其次，中小型廠商缺乏擴展資金，依賴壓低售價作於競爭手段，以致利潤日益下降，甚至出現虧損情形，一九七三至七四年間曾有不少此類廠家被迫停業。

基於大、小型廠家之本身條件，面對困難及外銷策略等均有所不同，對於增進其競爭力及謀求擴展，作者亦有不同的建議。就大型廠商而論，有建議如下：

(一) 訂立完善之市場計劃，並隨時搜集有關市場資料，

作為計劃的根據。

(二) 注重產品發展，目的在延長產品生命循環(Product Life Cycle)及獲致較理想之利潤。

(三) 在拓銷方面，應強調採取主動；除與外地買家直接商談及赴海外市場推銷產品外，在外國市場設立陳列中心及服務站亦不容忽視，其所需費用，可以共同負擔，或共同組織及委任當地經銷，直接拓展香港製品，推進本港製收音機在國際市場地位，此舉對本港收音機業之前途當大有裨益。

(四) 積極開拓新市場，但事前必須對當地環境詳細分析，

考慮各有關因素，切勿輕舉妄動。

(五) 在接獲訂單之前宜對該買家作一評價，對不負責任或難以信任之買家應加以拒絕，以免因小失大，蒙受不必要之損失。

(六) 香港本身每年進口大批收音機作為本銷，大部份為中、上價位貨品；本港廠家可以考慮發展本銷市場，一方面可擴大產品銷路，另一方面可取得較大利潤。

(七) 各項活動如生產、拓銷及財務管理等必須互相協調，務求達到資源之最佳及最有效利用，此乃高層管理人員之責任。

在收音機業的競爭中，中小型廠商顯然處於較劣位置，作者對增進此等廠家之競爭能力建議如下：

(一) 建立良好信譽，以吸引外埠買家。因台灣及南韓產比較香港低廉，故本港廠商應著眼於產品品質及交貨準時方面，儘量爭取買家信任。

(二) 完善而有效之計價方法十分重要，部份廠家因缺乏妥善之會計制度，以致與買家議價時常受損失而不自知。

(三) 中小型廠商通常較大型廠家忽略市場計劃之重要性，其實完善之計劃對彼等同樣重要。

(四) 對中小型廠家而言，計劃固然重要，但不能因計劃

之限制而失去本身之伸縮性，蓋後者乃中小型廠家之有利條件。彼等應考慮其個別情形及環境因素，從而定出適當之富彈性之計劃。

(五) 實施妥善之外銷策畧，不能缺乏對市場學有認識之人材。就中小型廠商言，由於資金有限，聘用僑英應重質而不重量。

(六) 雖然中小型廠商未必有能力負擔獨立之設計部門，但彼等仍應保持高度警覺，隨時參考同業之新設計，並不斷改良本身產品，以保持其競爭能力。

最後，作者認為收音機業之發展主要視乎該業廠商能

否繼續不斷推出受顧客歡迎之新產品；另一方面，亦視乎
彼等能否有效地運用市場觀念及訂定適當之市場策略。本
文雖然一直強調市場拓銷之重要性，然市場拓銷策略必須
輔以有效之財務及行政控制，始能達到公司本身之目標及
適應不斷變遷之外在環境。



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